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SUBJECT: VORKUTA: ARCTIC MINING TOWN WEATHERS CRISIS AMID DEPOPULATION, INFLATION, DRUGS

REF: MOSCOW 1562

¶1. (SBU) Summary: A June 13-15 visit to Vorkuta, a former gulag mining town north of the Arctic Circle, revealed a company town (or so-called "monogorod") struggling to define itself amid "optimization" that has hemorrhaged jobs and residents over the past decade. A May 24 rally that attracted 1,000 residents protesting rising utility and services costs indicated a growing unrest about pocketbook issues, but low unemployment and a lack of wage arrears suggest Vorkuta will not be the next Pikalevo. However, consequences of burgeoning drug and depopulation problems point to a broader array of social ills will test the city's political and business leaders. End Summary.

Vorkuta: Tragic Past and Diminishing Prospects

¶2. (SBU) Vorkuta, a remote tundra city in the extreme northeast of European Russia in the Komi Republic, lies 100 km north of the Arctic Circle and 160 km south of the Barents Sea. No roads connect Vorkuta to the rest of Russia, making the train (48 hours from Moscow) or intermittent flights the only routes south. Founded in the early 1930s as a coal mining town, Vorkuta eventually grew into one of the largest and most notorious prison labor camps in the Soviet Union. According to Vitaliy Troshin, former head of the Vorkuta branch of Memorial, up to 2 million people perished in Vorkuta's camps and environs through the 1950s. Privatization in the 1990s led to massive restructuring and the closing of seven of the city's thirteen mines, leaving dilapidated buildings to molder where prison camps and offices once stood. We found soldiers using one derelict building as a staging ground for practicing maneuvers. From the city center, a ring road loops into the barren tundra to connect the original thirteen mining villages, passing by a series of cemeteries and memorials that testify to the human scale of Vorkuta's gulag past. The city's population, which topped 200,000 just twenty years ago, has dwindled to 117,000 as the mines closed and the federal government began three years ago to pay for residents to move south.

Rally Shows Pocketbook Issues Dominate Political Scene

¶3. (SBU) A June 13-15 visit to Vorkuta revealed a company town (or so-called "monogorod") struggling to define itself amid "optimization" that has hemorrhaged jobs and residents over the past decade. A May 24 rally in Vorkuta's city center, which attracted 1,000 protesters, indicated that political and economic stability in Vorkuta may not be as strong as the city's political and business leaders described to us. Deputy Mayor Andrey Golubin claimed the crisis had not affected the city because "there will always be demand for coal, even if it decreases in cycles." Citing an official unemployment rate of 2.9 percent, Golubin noted that VorkutaUgol - the Severstal subsidiary operating Vorkuta's mines - had no wage arrears. Russian press reported in May

that VorkutaUgol, one of the largest producers of coking coal in Russia, had announced plans to cut 3 percent of its jobs and re-train an additional 7 percent for jobs with company sub-contractors. Vasily Kozulin, an executive at VorkutaUgol, downplayed the significance of the cuts, noting that the company was "optimizing" its operations and had decided against the announced firings. Vorkuta's isolation does complicate its business prospects, however, as manager Oleg Babichenko told us during a visit down a mineshaft that coal exports have remained marginal due to cost and distance; nonetheless, he boasted, VorkutaUgol does export some coal to Finland and Poland.

¶4. (SBU) The May 24 rally did highlight how pocketbook issues dominate the city's politics, leaving the door open for increased discontent. The 1,000 protesters rallied against rising utility and services costs, such as the increase of bus fare from 32 to 53 rubles. Aleksandr Araslanov, a member of the Opora business organization and owner of a small hotel, told us that "entrepreneurs are few in Vorkuta" and "citizens' salaries are almost all paid by the government or the mines." (Note: Proving that entrepreneurship is not completely dead, on our 23-hour train ride from Vorkuta to the regional capital of Syktyvkar we encountered Dima - a passenger smuggling 15 liters of homemade cognac for sale in Syktyvkar. "During the crisis we still need to find a salary, and if we can't work then we make work for ourselves," he explained as he gestured to several plastic containers of contraband.) As a company town without compelling wage competition, Araslanov lamented that salaries have calcified and cannot adjust to market forces that increase costs of food and other goods that must be shipped

MOSCOW 00001670 002 OF 002

into the city. Deputy Mayor Golubin downplayed the significance of the May 24 rally, but the lessons of Pikalevo (reftel) may entice discontented residents to rally again.

¶5. (SBU) The Communist Party's (KPRF) Yaroslav Lepichev disagreed, however, brusquely observing that "people in Vorkuta are not stupid, they see what is happening, they want to know what will happen." Through flyers and word of mouth, Lepichev explained, KPRF is wooing the city's voters to return the Communists to power in the city. However, all of our contacts (including Lepichev) predicted that United Russia would not lose its hold on power in the city given the party's ties to VorkutaUgol and KPRF's proposals to nationalize natural resources including mines. Lepichev reserved particular scorn for the restrictions on mass media in Vorkuta and Russia in general. In a region of far-flung towns, television and radio remain the key conduits of information. KPRF lacks access to these stations. Billboards hailing United Russia drape the sides of crumbling apartment buildings throughout Vorkuta, while the Communists can rely only on placing print ads in small local newspapers.

Drugs Thrive, Investment and Youth Languish

¶6. (SBU) Fighting a perceived descent into political and economic obscurity as its population dwindles, Vorkuta's administration has struggled with expanding the city's tax base beyond the monolithic coal industry. The city administration described to us plans to bolster adventure and gulag tourism, but Golubin disavowed the gulag hotel and legalized prostitution proposed in 2005 by former mayor Igor Shpektor. Deputy Mayor Golubin outlined investment proposals to entice internal Russian development, while also admitting that Vorkuta's extreme isolation will make it extremely difficult to attract investment.

¶7. (SBU) Further burdening the city's finances, social ills such as drug and alcohol abuse have proliferated in recent years as education and work opportunities for youth have vanished. The city has expended considerable resources on drug rehabilitation facilities and youth sports programs to

counter the effects, but even Deputy Mayor Golubin acknowledged that "as a city, we must give a reason to our children to stay here." Students seeking higher education have to leave Vorkuta, and they rarely return unless to work for VorkutaUgol. Nonetheless, Golubin remarked that he supported the federal subsidy to pay for residents to move from Vorkuta, since the overwhelming majority of beneficiaries have been pensioners and invalids whom the city otherwise would spend substantial sums on services to support.

Comment

18. (SBU) Lacking wage arrears or high unemployment, Vorkuta is unlikely to become the next Pikalevo. Inflation and other pocketbook issues dominate residents' concerns, and a meeting with the Memorial human rights group uncovered no burgeoning discontent over political or press freedoms. In any case, the isolation of such monogorods and the lack of independent broadcast media ensure that word of any discontent would resonate little outside the city itself. The Communists appear unable to win over large numbers of residents, which likely will leave the one-company town's political and business elites firmly in control.

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